

June 9, 2009

The Honorable Charles Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

RE: Request for Approval of Supplementary and Non-Firm Standby Service
(Experimental) Rider NFS-2 - SCPSC Docket No. 2009-____-E

Dear Mr. Terreni:

Enclosed for approval by the Public Service Commission of South Carolina is Progress Energy Carolinas, Inc.'s ("PEC") Supplementary and Non-Firm Standby Service (Experimental) Rider NFS-2. PEC's industrial customers have requested an alternative standby service rider be offered that would be applicable to customers that own and operate electric generating facilities. The proposed rider does not require PEC to serve any more than the customer's supplementary load when the customer's generation is out of service unless, in PEC's opinion, there is electricity and transmission capacity available from either PEC or the wholesale power market. Standby service is electricity that is normally supplied by the customer's generation, but PEC will provide it on a "standby basis" whenever the customer's generation isn't operating.

The rider requires the customer to contract for a supplementary demand that would be available at all times and would be priced at standard tariff charges. The customer would also contract for a non-firm standby service demand that would only be served if power was available from either PEC or wholesale market sources. PEC will install transmission and distribution facilities necessary to serve the customer's total contract demand which is represented by the sum of the supplementary and non-firm standby demands.

The key features of the new rider are as follows:

- The rider is offered on an experimental basis for service until December 31, 2013. This will allow PEC to review customer participation and response to non-firm periods and determine if changes are warranted before offering the rider on a permanent basis.
- There is no monthly charge for backstand, standby or generation capacity reservation since load normally served by the customer's generation will not be included in PEC's load forecast.

- Any protective equipment and distribution or transmission facilities required solely to serve the customer's non-firm standby demand requirement will be provided under the Company's additional facilities plan.
- Any usage above the supplementary service demand will be deemed to be non-firm standby usage and will be priced at a real time price rate that reflects PEC's generation cost during that hour. To simplify PEC's administration of the rider, the rate will be identical to the hourly rate provided in the current Large General Service (Experimental - Real Time Pricing) Schedule LGS-RTP.
- The non-firm standby service contract demand will automatically increase if the customer's usage exceeds the total contract demand.
- If PEC anticipates that it will have difficulty serving the customer's non-firm standby service requirements, PEC will declare a "non-firm period." A non-firm period will not exceed 15 continuous hours in a day. A minimum of 30-minutes prior notice will always be provided before declaring a non-firm period. The rider includes a \$110 monthly charge for the cost of the notification system. The system is identical to that presently used in the curtailment, dispatched power and incremental power programs at the same monthly charge.
- During a non-firm period, any usage above the supplementary demand will be priced at the higher of (1) PEC's real time price hourly rate or (2) the prevailing wholesale market rate at the PJM Western Hub during the hour, plus 5%, plus any related transmission charges required to deliver the power to PEC's system. To assist the customer in deciding to either reduce usage to the supplementary service demand or continue to operate at the hourly rate, PEC's hourly real time price rates are available via a password-secured website. Forecasts of the PJM hourly rates are also readily available from a public website for the customer's review, however, customer billing will be based upon actual PJM costs incurred by PEC that are established at settlement several days after the event.
- PEC may either increase the supplementary demand or remove the customer from the rider if the customer continually fails to take all reasonable steps to ensure that usage doesn't exceed the supplementary demand during non-firm periods. This will ensure that PEC will not be required to install generation to meet the customer's non-firm standby demand requirement.

Non-Firm Periods will be declared in accordance with PEC's General Load Reduction and System Restoration Plan. Non-Firm Standby Service is considered to be a Reliability Level 2 event and will be implemented in conjunction with curtailment of PEC non-essential loads and a general public appeal to reduce usage.

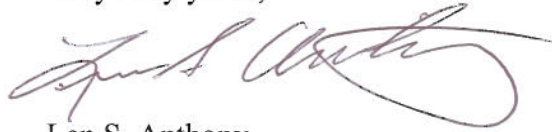
The Honorable Charles Terreni

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A copy of Supplementary and Non-Firm Standby Service (Experimental) Rider NFS-2 is enclosed as Exhibit No. 1.

Very truly yours,



Len S. Anthony
General Counsel
Progress Energy Carolinas, Inc.

Attachment

c: Mr. Randy Watts
Mr. John Flitter (5)

SUPPLEMENTARY AND NON-FIRM STANDBY SERVICE
(EXPERIMENTAL) RIDER NFS-2

AVAILABILITY

This Rider is available to customers in conjunction with any of Company's General Service rate schedules to permit Supplementary and Non-Firm Standby Service to Customer having generation equipment not held solely for emergency use and for which Company's service may be substituted either directly or indirectly or used as an additional power supply. Customer shall execute a Service Agreement specifying separately the requirements for both Supplementary Service and Non-Firm Standby Service.

All usage shall be considered to be Supplementary Service and Customer will not be required to contract for this or any other standby service rider provided Customer's generation output is: 1) less than 10% of the Contract Demand and 2) 500 kW or less. However, once either of these conditions is exceeded, the MONTHLY RATE shall be applicable beginning with the first bill rendered thereafter.

This Rider is not available (1) for temporary or supplementary seasonal service, (2) for use in conjunction with any of Company's other standby or generation service riders, (3) for Customer's with nameplate generation capacity below 200 kW, (4) for a customer who is not currently receiving service under this Rider but had previously received service under the Rider in the preceding twelve months, (5) in conjunction with curtailable service schedules or riders, (6) for Non-Firm Standby Service in excess of 50,000 kW, or (7) for service rendered on and after December 31, 2013. The provisions of the rate schedule with which this Rider is used are modified only as shown herein.

DEFINITIONS

Contract Demand

The Contract Demand is the maximum kW that Customer desires Company to supply for Supplementary and Non-Firm Standby Service combined, as specified in the Service Agreement, and shall be increased by the amount of the excess when the sum of the Supplementary Service Contract kW and Non-Firm Standby Service Contract kW exceeds the previously established Contract Demand, unless and until Company within 60 days requests Customer to reduce such demand to a specified amount but not less than the established Contract Demand.

During a Non-Firm Period, the Contract Demand is subject to curtailment by Customer to not exceed the Supplementary Service Contract kW.

Non-Firm Standby Service

Non-Firm Standby Service is the service which Company supplies to replace Customer's generation. This includes breakdown and maintenance periods approved by Company. The amount of Non-Firm Standby Service shall not exceed the nameplate kW capacity of Customer's installed generation. The amount of Non-Firm Standby Service initially contracted will automatically be increased whenever the established Contract Demand is exceeded, unless Company within 60 days requests Customer to reduce such demand to a specified amount. The Non-Firm Standby Service kW shall increase by the amount the established demand exceeds the Supplementary Service Contract kW.

Supplementary Service

Supplementary Service is service continuously available to supplement Customer's other power sources and is the kW of demand to which Customer shall reduce his requirement a Non-Firm period specified by Company. The contract kW of Supplementary Service shall be specified in the contract and shall only change based upon mutual consent of the parties, but in no case can it be less than the minimum contained in the rate schedule with which this Rider is used.

MONTHLY BILLING

The Monthly Billing shall be the sum of the following amounts:

1. Supplementary Service Billing:

An amount computed under the rate schedule with which this Rider is used for the Billing Demand established and the kilowatt-hours consumed associated with the Supplementary Service Contract Demand.

2. Standby Service Billing:

An amount computed as the kilowatt-hours consumed in excess of the Supplementary Service Contract Demand times the sum of the (a) Non-Firm Standby Service Hourly RTP Energy Rate, as shown below, plus (2) the DSM/EE Adjustment, including both the Rate and EMF, applicable during the current billing month. This shall be computed on an hourly basis.

3. Non-Firm Standby Notification Customer Charge: \$110.00

4. Additional Facilities Billing:

An amount equal to the monthly facilities charge as specified in Company's Service Regulations times the difference between the installed cost of (1) the facilities required by Company to supply the Contract Demand, including any protective or other equipment deemed necessary to accommodate Customer's parallel operation, and (2) the facilities required by Company to supply the contract kW of Supplementary Service.

NON-FIRM STANDBY SERVICE RTP HOURLY ENERGY CHARGE

The Real Time Pricing (RTP) Hourly Rate applicable to all usage in excess of the Supplementary Service contract kW shall be calculated as follows:

$$\text{Hourly RTP Rate} = (\text{MENERGY} + \text{CAP} + \text{ADDER}) \times (1 + \text{TAXES})$$

where:

$$\text{MENERGY} = \text{Marginal Energy Cost per kilowatt-hour including marginal fuel, variable operating and maintenance expenses, and delivery losses}$$

$$\text{CAP} = \text{Tiered Capacity Charge per kilowatt-hour applicable whenever the day-ahead forecast of the ratio of hourly available generation to hourly demand is equal or less than 1.15}$$

$$\text{ADDER} = \beta \times (\text{Class Rate-Hourly Marginal Cost}), \text{ but not less than zero}$$

where:

$$\beta = \text{a fixed value equal to 0.20}$$

Class Rate	=	the prior calendar year average rate per kilowatt-hour under the conventional tariffs applicable to the LGS class, as updated annually effective with the February billing
Hourly Marginal Cost	=	the sum of the specific hour's kilowatt-hour price for MENERGY and CAP, all as defined above
TAXES	=	South Carolina Gross Receipts Tax (currently 0.3%)

During Non-Firm Periods, the applicable Non-Firm Standby Service Hourly RTP Energy Rate shall be the greater of the Hourly RTP Rate, as calculated above, or the PJM price during the hour, plus 5%, plus any applicable transmission charges to deliver the electricity from PJM plus South Carolina gross receipts taxes. The applicable PJM rate shall be final settlement hourly rate for the PJM Western Hub.

NON-FIRM PERIOD

The Non-Firm Period shall be a fifteen-hour period, unless Company specifies a shorter period at the time the Customer is notified. Customer shall be given a minimum of 30-minutes notice before requested Non-Firm Period is to take place. Company shall use reasonable diligence to notify Customer of an impending Non-Firm Period and having used reasonable diligence shall not be liable to Customer should Customer not receive notification. To assist Customer in reviewing the financial impact of Non-Firm Standby Service usage, Company will provide its Hourly RTP Rates on a password-secured website. A forecast of PJM hourly rates is available from the PJM website; however, the final settlement rate will be used for billing which may differ from the PJM forecast.

SUPPLEMENTARY SERVICE BILLING DEMAND

The Billing Demand of Supplementary Service shall be the maximum kW registered or computed, by or from Company's metering facilities, during a 15-minute interval within the current billing month, but not greater than the Billing Demand determined in accordance with the schedule with which this Rider is used for the contract kW of Supplementary Service.

FAILURE TO COMPLY WITH NON-FIRM STANDBY SERVICE REQUIREMENTS

Customer shall undertake all reasonable steps to ensure that Customer's load does not exceed the Supplementary Service kW during all Non-Firm Periods. Continual failure to limit usage to the Supplementary Service kW or less during Non-Firm Periods shall constitute grounds for either increasing the Supplementary Service contract demand or removal from this Rider.

CONTRACT PERIOD

The Contract Period shall not be less than five years, and shall automatically extend thereafter for successive periods of two years unless terminated by either party at the end of any contract period by giving not less than sixty (60) days' written notice to the other party prior to the end of the contract period. In the event the Contract Period extends beyond December 31, 2013, the Contract Period shall instead be a period ending December 31, 2013.

SALES AND FRANCHISE TAX OR PAYMENT IN LIEU THEREOF

To the above charges will be added any applicable South Carolina sales tax, and for those customers within any municipal or other local governmental jurisdiction, an appropriate amount to reflect any franchise fee, business license tax, or similar percentage fee or tax, or charge in lieu thereof imposed by such entity.

GENERAL

Where Customer's generation equipment is connected either electrically or mechanically to equipment which may be operated concurrently with service supplied by Company, Customer shall install and maintain at his expense such devices as may be necessary to protect his equipment and service and to automatically disconnect his generating equipment, which is operated in parallel with Company, when service used by Customer is affected by electrical disturbances on Company's or Customer's systems.

Service rendered under this Schedule is subject to the provisions of the Service Regulations of the Company on file with the state regulatory commission.

Effective for service rendered on and after _____, 2009
SCPSC Docket No. 2009-_____-E, Order No. 2009-_____